
IN THE
Supreme Court of The United States
October Term, A. D. 1942

No. 994

No. 995

THE MERCOLD CORPORATION,
Petitioner,

vs.

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY,
Respondent.

**BRIEF OF MINNEAPOLIS-HONEYWELL
REGULATOR COMPANY
OPPOSING PETITION FOR WRIT OF
CERTIORARI.**

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*To the Honorable, the Chief Justice and Associated Jus-
tices of the Supreme Court of the United States:*

Respondent, herein sometimes called "Honeywell," sub-
mits this brief in opposition to the Petition for Writ of
Certiorari.*

* The decision below is reported in 133 F. (2d) 811, and
is in the Record p. 1225.

Respondent asserts that the Petition presents no ground which justifies the writ.

Petitioner's Position.

Petitioner complains that the decision from which relief is sought—

1. Conflicts with decisions of other Circuit Courts of Appeal, p. 5, 1. (a), and with decisions of this Court, p. 6, 2. (a), in holding the patent valid;

2. Conflicts with decisions of other Circuit Courts of Appeal, p. 5, 1. (b), and with decisions of this Court, p. 6, 2. (b), in finding contributory infringement;

3. Conflicts with decisions of other Circuit Courts of Appeal, p. 5, 1. (c); and with decisions of this Court, p. 7, 2. (c); in holding that the patentee is entitled to relief when it requires, as a condition to the use of the invention, that an unpatented part employed in the invention must be purchased from it or its licensees, p. 5, 1. (c); and

4. Conflicts with a Third Circuit decision, p. 6, 1. (d), and has decided an important question of Federal law which has not been but should be settled by this Court, p. 7, 3., in holding that there is no restraint of trade in violation of the Anti-Trust laws when the patent owner forbids purchase from competitors of unpatented parts necessary for the practice of the invention (p. 7, 3.) and fixes its licensee's selling prices, p. 4, 4.

Respondent answers that the record shows no conflict of decisions and no unsettled "important question of Federal law."

The Facts.

Respondent owns Freeman patent No. 1,813,732.

The provision of elements in a new arrangement for a particular sequence of operations is Freeman's "advance.

in the art" (see paragraphs 2 and 3 of the Court of Appeals opinion, R. 1228).*

The claims relied on by Respondent for infringement are 1, 4, 6 and 9 (R. 1066, finding 9).

The accused device is Petitioner's M-80 (R. 1066, finding 7, and R. 1226).

Respondent Honeywell has granted licenses under Freeman to others, and offered a license to Petitioner Mercoïd on the same terms and conditions, which was refused (R. 1229, top).

One of these licenses is on page 893 of the record.

The licenses provide for the payment of a royalty of 25 cents on each specifically defined "combination furnace control" sold (R. 896, III and R. 895, I).

The licenses fix the minimum prices at which the licensees sell the defined combination furnace controls manufactured by them (R. 899).

We note here in view of Petitioner's frequent use of the phrase "conflict of decisions," that no other Courts have had before them the facts, issues and parties involved here.

First Question.

Validity of Freeman Patent No. 1, 813,732.

*Conflict With Decisions of this Court and Circuit Courts of Appeal, p. 5, 1. (a), and 6, 2. (a).**

Petitioner argues that the concurrent findings of validity should be reversed because there is no invention in combining elements "all separately old in the prior art" and which "merely perform their old individual functions in a particular sequence," p. 4, 1.

* R = Record.

** References to Petition and Brief therewith.

The District Court found the patent valid over prior art urged by Petitioner (Finding 19, R. 1068), and the Court of Appeals affirmed (R. 1231).

Neither Court, either directly, indirectly, or by inference, made any statement which supports the proposition raised by Petitioner in its "First Question."

What Petitioner really seeks is to have this Court review the facts and come to a different conclusion. This is clear from the cases relied upon by Petitioner, each of which holds that under the facts of the particular case, the alleged improvement did not amount to invention.

So far as this issue is concerned, we have here an ordinary patent suit in which the situation is analogous to that in

Williams Manufacturing Co. v. United Shoe Machinery Corp., 316 U. S. 364 (62 S. Ct. 1179),

in which this Court said, at p. 365:

"The defendant sought certiorari on the ground that the claims were invalid under recent decisions of this court because they constituted attempts to repatent a broad combination of old devices. . . . In pressing us to grant the writ, the petitioner insisted that it desired no retrial of the facts but merely a proper application of the law to the facts found by the courts below. . . ."

And, at p. 366, bottom, and p. 367:

"In argument, however, petitioner sought to overturn the concurrent findings below and to have us redetermine the question of the novelty and usefulness of the improvements described in the combination claims held valid and infringed."

"The courts below have concurrently found that none of the earlier patents cited, including that of McFeely, embodied the combinations of the challenged claims . . ."

"These findings are to the effect that the new combinations, while they involve old mechanical constructions, combine these in a new way so as to produce an improved result. These are findings of fact, despite the petitioner's apparent contention to the contrary, and we will not disturb such concurrent findings where, as here, there is evidence to support them. The claim that the combinations are merely of old elements, which perform no new function and produce no new result, must be overruled. * * *"

There is no conflict with the decisions of this Court or of other Circuit Courts of Appeal, but merely a request that this Court review the facts, and overturn the concurrent findings of the Courts below.

There is therefore no proper ground for certiorari.

Second Question.

Contributory Infringement.

Conflict With Decisions of this Court, p. 6, 2. (b), and of Other Circuits, p. 5, 1. (b).

Petitioner complains that the Court below held it a contributory infringer in supplying "an unpatented part designed for use, and knowing that it is to be used, in practicing the patented invention, * * *" p. 4, 2.

Petitioner's statement is an inaccurate and incomplete statement of the findings below.

In any event, on the facts, either as stated by Petitioner or as found by the Court below, there is no conflict of decisions.

The Courts Below.

Petitioner does not state, but the District Court found, that with each accused M-80, Petitioner sent out illustrations 7 and 8 for its installation (R. 1069, findings 24 and 22).

Petitioner's expert admitted (R. 269-270), and the District Court found (R. 1069, Findings 22, 24, 25), Petitioner does not now deny, and the Court of Appeals found (R. 1228, bottom), that when the M-80 is installed according to the illustrations recommended therefor by Petitioner, the completed structure infringes all of the claims in issue.

The Circuit Court of Appeals found that Petitioner's accused M-80 was especially adapted for use in practicing the patented system, and that it has

"no other use" (R. 1228, bottom).

Petitioner's entire conduct is calculated to bring about an infringement of the Freeman patent. Its accused product and recommended instructions for the use of that product, never result in any installation other than one which infringes.

We find no decision denying contributory infringement under such circumstances.

Petitioner's position is not supported by its cited cases.

In discussing them, Petitioner confuses the issue of contributory infringement with the issues of improper use of the patent and improper claiming of the invention, and cites cases on such latter issues as though they were authorities on contributory infringement. Not a single case relied upon by Petitioner turned on what constitutes contributory infringement.

We briefly refer to the cases in the order used by Petitioner; p. 5, 1. (b) and p. 6, 2. (b).

In

B. B. Chemical Company v. Ellis; 117 F. 2d, 829.

the Court of Appeals for the First Circuit, contrary to Petitioner's statement, p. 5, 1. (b), found (p. 834):

"There can be no doubt they are contributory infringers."

In

The Philad Co. v. Lechler, 107 F. 2d, 747,

the Circuit Court of Appeals for the Second Circuit did not hold there was no contributory infringement. The District Court held that under the facts the patent had been improperly used, and that no relief would be granted. The Court of Appeals affirmed the District Court in dismissing on this ground.

In

Carbice Corp. v. American Patents Development Corp., 283 U. S. 27,

and

Leitch Mfg. Co. v. Barber, 302 U. S. 458,

although both Courts of Appeal below had found for the patent owner on the issue of contributory infringement, this Court refused relief on account of the improper use of the patent.

In

Bassick Mfg. Co. v. Hollingshead Co., 298 U. S. 415,

this Court held that the invention was improperly claimed. There were no facts in that case similar to those in the case at bar. Under circumstances similar to those in the Bassick case, this Court held the patent invalid in

Lincoln Engineering v. Stewart-Warner, 303 U. S. 545.

In view of the fact that no conflict of decisions appears, Petitioner's "Second Question" presents no appropriate ground for certiorari.

Third Question.

Improper Use of Patent Precludes Maintenance of Suit. Conflict With Decisions of Other Circuits, p. 5, 1. (c) and of This Court, p. 7, 2. (c).

Petitioner complains, p. 4, 3., that the Court of Appeals should have refused relief on the theory that Respondent conditioned its licenses to others upon

"the licensees purchasing from it an unpatented part for use in practicing the patented invention"

The Court of Appeals did not find the "combination furnace control" sold by Respondent and its licensees and by Petitioner (who was offered a license on the same terms and conditions, R: 1229) to be merely

"an unpatented part for use in practicing the patented invention"

It found that in selling these controls Respondent and its licensees sell

"the essence of Freeman's patent", R. 1229, line 9:

* Again, what Mercoide really seeks is not clarification of the law on account of any conflict, but a review of the facts to the end that this Court may reach a different conclusion about them. That is not a proper situation for certiorari.

Petitioner makes no complaint about Respondent's written licenses, but purports to find evil in the implied license given the purchaser of a combination furnace control from Respondent or its licensees. The purchase carries with it an implied license to use the "combination furnace control" for its only purpose, to-wit: the installation of a

Freeman installation. Petitioner's theory is that this sale with such an implied license involves improper use of the patent to monopolize an unpatented control;

Petitioner does not tell the Court that this combination control is much more than an ordinary unpatented article. It is not a mere single element of the patented combination.

The control sold by Respondent and its licensees is a "unitary structure"

including at least two switches—

"for controlling not less than two circuits"

and operated by

"temperature responsive means"

to establish one circuit

"on temperature rise"

and another

"on temperature fall",

and having permanent internal wiring connecting the switching means to terminals, such internal wiring being

"so arranged that when the terminals are connected by external wires to a heat controlling mechanism . . . and to a means for controlling the circulation of the fluid" (fan), . . .

"such structure, when used as intended embodies the system disclosed in and claimed by the Freeman patent" (R. 1229, second paragraph).

The Court below held that such control

" . . . embodies the essence of Freeman's patent. Each of such controls brings about one complete Freeman installation . . ." (R. 1229, line 10).

The same is true of Petitioner's accused device of which the Court of Appeals said:

"It provides for the sequence of operations which is the precise essence of Freeman's advance in the art.
 * * * The accused device has no other use than for accomplishing the sequence of operations of the Freeman patent." (R. 1228, bottom).

In this respect the accused controls are like the controls sold by Respondent and its licensees.

The Court of Appeals held that

"* * * the record does not disclose any attempt on the part of Honeywell to collect a royalty on such control unless it is used or attempted to be used in a system which would infringe the Freeman combination." (R. 1229, first paragraph),

and that this conduct of Respondent and its licensees was such that

"there is no attempt to illegally monopolize the sale of the Honeywell control unless it is used or intended to be used in the Honeywell system." (R. 1229, first paragraph),

and again the Court of Appeals said of the effect of Respondent's conduct:

"* * * all the conduct of Honeywell which is here complained of has been solely directed toward the protection of the Freeman patent" (R. 1230).

The Court of Appeals thus found that the sale of such a control under the circumstances involved only "the protection of the Freeman patent" (R. 1230, middle) and that such conduct was proper under the Patent Laws (R. 1230).

The Court of Appeals specifically considered

Philad Co. v. Leckler, 107 F. 2d 747,

B. B. Chemical Co. v. Ellis, 314 U. S. 495,

Morton Salt v. Suppiger, 314 U. S. 488,

urged by Petitioner, and also other cases wherein the Courts denied relief on account of improper conduct of the patent owner, and distinguished them (R. 1230 and 1231). In none of the cases considered by the Court of Appeals and in none of the cases now relied upon by Petitioner, were the facts similar to those found by the Court of Appeals here. The Court of Appeals found, as to the cases there argued:

"In all these cases the objectionable conduct was directed toward the sale of something which was not the advance in the art and did not necessarily measure or mark the use covered by the patent." (R. 1231, top).

The Court of Appeals did not disagree with the law as laid down in any of the cases urged by Petitioner. It held that on the facts, Respondent does not come within the principles of law laid down in such cases, but comes within the principle laid down in

Leeds & Catlin v. Victor, 213 U. S. 325,

Bement v. National, 186 U. S. 70,

U. S. v. United Shoe Machinery Co., 247 U. S. 32,

U. S. v. United Shoe Machinery Co., 258 U. S. 451.

(R. 1230)

It follows that there is no conflict on the law between the decision below and the decisions of this Court or other Courts. The Court below held that on the facts, Respondent was within its rights under the patent, and that the facts here did not bring this case within the rule laid down in the various cases relating to improper use.

For the protection of the rights of the owner under the patent, this Court has declared that the *public faith is pledged*.

Grant v. Raymond, 6 Pet, 218, 241,

Continental v. Eastern, 210 U. S. 405.

Under such circumstances there is no ground for certiorari.

Fourth Question.

Violation of the Anti-Trust Laws.

Conflict With Decision of Another Court of Appeal, p. 6, 1. (d) and Unsettled Important Federal Question, p. 7, 3.

Petitioner complains that the Court of Appeals held there was no violation of the Anti-Trust laws by Respondent when it required as a condition to the use of the invention that an unpatented part thereof be purchased from it or its licensees, and that it fixed the selling price of such part by the licensees. Petitioner asserts that this decision conflicts with decisions by the Third Circuit Court of Appeal and involves an important question of Federal law which has not been, but should be, settled by this Court.

Respondent replies that there is no "conflict" and "no unsettled Federal question".

We note that in calling the combination furnace control sold by Respondent and its licensees an "unpatented part", the Petitioner ignores but does not attack the finding of the Court of Appeals below that this control "embodies the essence of Freeman's patent" (R. 1229). There is no dispute that Respondent granted written licenses and in them fixed the prices at which the licensees sell the combination furnace control manufactured by them.

These licenses do not in any manner control the resale prices at which purchasers from the licensees must sell.

Petitioner in its attempt to build up a case under the Anti-Trust laws, refers to a letter, Ex. 20, R. 1051, and states that Respondent required each licensee to sell controls other than the combination furnace control, at fixed prices (p. 30, line 6 from bottom).

There is nothing in the licenses granted or in the letter referred to by Petitioner, which requires the licensees to

do anything whatsoever in respect to standard controls, as distinguished from the licensed combination furnace control that "of course embodies the 'Freeman advance in the art'," (R. 1230).

The Court of Appeals below had before it the full facts as to Respondent's entire conduct, including the licenses and separate letter and stated:

"This record discloses that the only Honeywell control which gets protection as a result of the licenses is the control usable only for a Freeman type installation which of course embodies the Freeman 'advance in the art'. It further discloses that Honeywell never accused anyone under the Freeman patent on account of the sale of standard controls which might be used with the Freeman installation or might be used with some other installation. So far as we have been able to discover from this record, all the conduct of Honeywell which is here complained of, has been solely directed toward the protection of the Freeman patent. The Patent Laws permit such conduct and the Anti-Trust Laws do not forbid it." (R. 1230).

And again:

"We find no evidence in this case that Honeywell by its conduct or its license required anyone to buy any element or elements of the patent from its licensees
* * * (R. 1231).

The Issue

So the real question is whether there is any "conflict" or "unsettled Federal question" raised by the decision that the conduct of Respondent does not violate the Anti-Trust laws when that conduct involves giving written licenses and the fixing therein of prices at which the licensees sell the essence of the Freeman patent, and the ultimate sale of such "essence", with an implied license to the purchaser to use it in completing the invention.

It has long been held by this Court that where the conduct of the patent owner is within its rights under the patent there is no violation of the Anti-Trust laws.

Bement & Sons v. National, 186 U. S. 70,

U. S. v. United Shoe Machinery, 247 U. S. 32 (8),

U. S. v. General Electric, 272 U. S. 476 at 494.

In

U. S. v. General Electric, 272 U. S. 476,

this Court held that the granting of a license under a patent and the fixing therein of prices at which the licensee shall sell the invention is not a violation of the Anti-Trust laws.

The courts said, at p. 479:

"The second question in the case involves the validity of a license granted March 1, 1912, * * * to make use and sell lamps * * *. It was charged that the license in effect provided that the Westinghouse Company would follow prices and terms of sale from time to time fixed by the Electric Company and observed by it, and that the Westinghouse Company would, with regard to lamps manufactured by it under the license, adopt and maintain the same conditions of sale as observed by the Electric Company in the distribution of lamps manufactured by it."

and at p. 490:

"* * * When the patentee licenses another to make and vend and retains the right to continue to make and vend on his own account, the price at which his licensee will sell will necessarily affect the price at which he can sell his own patented goods. It would seem entirely reasonable that he should say to the licensee, 'Yes you may make and sell articles under my patent but not so as to destroy the profit that I wish to obtain by making them and selling them myself.'"

and held at p. 494:

"For the reasons given, we sustain the validity of the license granted by the Electric Company to the Westinghouse Company. The decree of the District Court dismissing the bill is affirmed."

There is no conflict here with decisions of other Circuit Courts of Appeal because in none of the cases cited by Petitioner was the sole product sold by the patent owner or its licensees that which embodied the essence of the patent.

There is no unsettled Federal question because in

U. S. v. Uniris Lens Co., 316 U. S. 241,

this Court, (although it held that certain conduct of the patent owner violated the Anti-Trust laws,) approved conduct almost exactly parallel to that of Respondent here.

It approved a license from the Corporation to the Lens Company (p. 254), which license fixed the prices of the lens blanks manufactured and sold by the licensee (p. 245).

The lens blank thus made and sold was not the complete patented lens (p. 248, bottom), but it

"embodies essential features of the patented device and is without utility until it is ground and polished as the finished lens of the patent" (p. 249).

The Court said it might assume that the sale thereof would constitute contributory infringement (p. 249).

The sale was

"a license to practice the final stage of the patent procedure" (p. 249, bottom).

Thus we find that in the *Uniris* case, the conduct approved and held to be within the right of the patent owner and held not to be in violation of the Anti-Trust laws, in-

cluded every factor complained of by the Petitioner here. The Corporation licensed the Lens Company and fixed the prices at which the Lens Company sold the product it manufactured under the license. That product was the essence of the patent. The complete invention was not practiced until the purchaser used or finished the product. With the purchase, the buyer received the right to complete the invention.

This Court affirmed the lower court in the *Univis* case as to the patentee's right to license others to manufacture an article embodying the essential features of the patented invention with the patentee fixing the price at which the licensee sold its product. This Court reversed that part of the decree of the lower court dealing with other licensing arrangements by which the ultimate resale price was controlled. The case at bar involves only those facts that this Court approved as within the patentee's right in the *Univis* case.

This Court, therefore, has recently passed upon the exact situation involved in the case at bar and the decision of the Court of Appeals below is in accord with that of this Court.

The decision below therefore involves no unsettled Federal question.

No ground is presented justifying the order for Writ of Certiorari.

Respectfully submitted,

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Its Attorneys.

(Dated: May 27, 1943.)